Weyerhaeuser
The future is growing™

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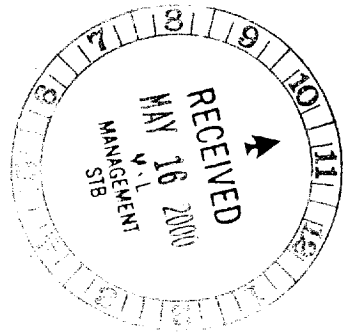

May 15, 2000

Surface Transportation Board
Office of the Secretary, Case Control Unit,
1925 K Street, N.W
Washington, DC 20423-0001

Re: STB Ex Parte No. 582 (Sub-No. 1)

MAJOR RAIL CONSOLIDATION PROCEDURES

Dear Mr. Secretary:

Enclosed herewith for filing please find 25 copies of WeyerhaeuserCompany's comments in the above mentioned proceeding.

Also enclosed is an electronic copy of this letter and the said comments on 3.5 inch IBM compatible floppy diskette in a WordPerfect 7.0 compatible format.

Yours truly,

John B. Ficker
Logistics Development Manager

Encls.

100th Anniversary

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BEFORE THE
SURFACE TRANSPORTATION BOARD

UNITED STATES DEPARTMENT OF TRANSPORTATION

Ex Parte 582 (Sub-No. 1)

MAJOR RAIL CONSOLIDATION PROCEDURES

SUBMISSION OF
WEYERHAEUSER COMPANY

DATE: MAY 16, 2000

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BEFORE THE
SURFACE TRANSPORTATION BOARD
UNITED STATES DEPARTMENT OF TRANSPORTATION

Ex Parte 582 (Sub-No. 1)

MAJOR RAIL CONSOLIDATION PROCEDURES

SUBMISSION OF
WEYERHAEUSER COMPANY

Introduction:

My name is John B. Ficker. I am employed by Weyerhaeuser Company as its Logistics Development Manager. My business address is: Weyerhaeuser Company, PO Box 2999 Tacoma, WA 98477-2999. I am familiar with all of Weyerhaeuser's facilities and its transportation requirements. I have worked in the transportation industry for thirty years. I have worked for Weyerhaeuser since 1986. For the first four years of my employment, I was Southern Transportation Manager. In that position, I was responsible for transportation from and to eleven (11) Weyerhaeuser manufacturing facilities and forty (40) distribution centers east of the Rocky Mountains. In 1990, I assumed my current responsibilities, which include reviewing Weyerhaeuser's transportation agreements, determining whether they comply with applicable regulations and statutes, and representing Weyerhaeuser before regulatory agencies. I am a registered practitioner before the Surface Transportation Board and am authorized to represent Weyerhaeuser before federal and state regulatory bodies and present this statement on behalf of Weyerhaeuser.

Background -- Weyerhaeuser is a large user of rail:

Weyerhaeuser is a multi-plant forest products company with facilities across North America. Our 1999 annual sales were over $13 billion. We manufacture, distribute, and sell logs, woodchips, lumber, plywood, particleboard, hardboard, oriented strandboard, woodpulp, paper, pulpboard, shipping containers, chemicals, and related products. We are engaged in major recycling efforts across North America and in 1999 moved over 4 million tons of recycled paper. We own and operate large mill complexes in Alabama, Georgia, Mississippi, Kentucky, West

Virginia, North Carolina, Oklahoma, Oregon, Washington, and Wisconsin, and the Canadian provinces of British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick. We have numerous packaging plants and distribution facilities across the United States and Canada. We also own five Class III shortline common carrier railroads.

Weyerhaeuser is a significant user of rail transportation services in both the United States and Canada, and as such is familiar with the operations and regulatory framework of both countries. Transportation costs are a significant portion of our products' delivered prices. Between forty percent (40%) and fifty percent (50%) of our finished products move by rail. In 1999, our rail bill will exceed three hundred million dollars ($300,000,000). Because of their shipping characteristics and the locations of our key markets, many of our products have limited modal options and rely on dependable, cost-efficient rail transportation. Thus, the structure, competitiveness, and efficiency of the rail industry directly affects our daily and long-term ability to move our products to the marketplace.

Overview -- Competition must be the framework for future rail mergers:

Weyerhaeuser appreciates the Boards efforts to undertake a full review of the current rail merger policies. In its March 31, 2000 decision, the Board acknowledges that the current merger rules were established in a different economic environment than that which exists today. When the rail industry had the initial fetters of regulation removed, railroads and regulators focused on rationalizing the national rail system in order to eliminate over-capacity caused, in part, by the economic paralysis of regulation. The Board, and its predecessor the ICC, is to be commended for seeing the industry through these initially trying times and helping foster today's strong and viable rail industry.

Now, we are at a different juncture in the on-going saga of railroads. With significant consolidation in the railroad industry behind us, it is time for the Board to remove the remaining agency-created shackles of regulation by freeing the railroads to compete like any other industry in the United States. The Board must complete the work envisioned by the Staggers Act of 1980.

The Board has asked commentors to review several major areas; Promoting and Enhancing Competition, Maintaining Safe Operations; Shortline and Regional Railroad Issues; Employee Issues; "Three-to-two" Issues; Safeguarding Rail Service; Merger-Related Public Interest Benefits Cross Border Issues, and Downstream effects. Weyerhaeuser believes that the adoption

of strong pro-competitive merger rules will address many of these areas and ensure that the railroad system in the United States remains the strongest in the world.

Promoting and Enhancing Competition:

At the heart of this endeavor must be the effort to create legitimate and effective competition between railroads in the United States.

Railroads must be encouraged to compete generally and not just compete between major points such as Chicago, Los Angeles and New York. Effective competition would include intramodal competition between points such as Springfield, Oregon; Henderson, Kentucky; Yuma, Arizona; and Titusville, Pennsylvania. In the final analysis, competition must be afforded not only between points, but the individual shipper at each location must have competitive alternatives.

Competition is the official economic policy of our country and it is at the foundation of our economic system. Competition is what helped make the United States the global economic force that it is today. One of the most important benefits of competition is that it breeds innovation, benefiting both competitors as well as the users of products and services. Innovation improves services and reduces costs. The early days of railroading saw vigorous competition with new entrants abounding and a willingness to extend tracks to any new venture. Now, in many places and for many movements, there is little or no rail to rail competition and shippers are left with no options. The lack of direct competition causes carriers to adapt a cavalier attitude, one of "take it or leave it." Most importantly, the Board's merger policies have allowed railroads to avoid competition, become complacent and proprietary about captured traffic, and ignore efficiency gains offered by competitively driven innovation.

Weyerhaeuser believes that if the Board adopts a regulatory framework similar to the one that currently exists in Canada, it will promote and enhance competition between railroads, and it is well with in the Board's authority to adopt and includes three major components: Interswitching, Running Rights and Final Offer Arbitration. In addition, the Board must adopt rules to preclude railroads from establishing further bottlenecks, and must allow shippers (the owners of the freight) rather than carriers, to determine how their freight will be routed.

Interswitching:

We strongly urge the Board to adopt the same standards in the United States that apply in Canada. This Canadian system will increase competition between railroads for business at a substantial number of locations throughout the United States. If necessary, the interswitching costs would be established yearly by the Board and be consistent applied across the country. As in Canada, the interswitching zones should begin where competing lines intersect and expand outward in mileage bands. This will provide competition to many industries located outside of current terminal areas. It is important to understand that many of the current terminal areas were established over 50 years ago and no longer reflect the true 'commercial' area of a location. The Canadian remedy was created before the Canadian Railroads had shed low-density lines. There was no experience with shortlines and regional railroads nor was there any need to protect these railroads. Therefore, to be effective in the United States the application of this remedy and these zones should apply only to Class One railroads and not to regional railroads or shortlines.

Running Rights:

The Board already has authority to authorize the operation of one railroad over the lines of another, but competition needs to be fostered to allow industries outside of outmoded terminal areas or interswitching zones to receive alternative rail service. The current process is protracted and burdensome. Before beginning a proceeding before the Board, shippers are put in the impossible position of soliciting the support of a connecting carrier who is often unwilling to compete with its fellow Class I brethren or fearful of the consequences. This process can take an extensive period of time and costs hundreds of thousands of dollars in legal expenses to conclude -- even if a willing connecting carrier can be found. This process needs to be simplified to allow resolution within 90 days and made effective by placing the burden of proof on the current operating line to justify their position. The Board needs to eliminate all artificial impediments to using this power to foster competition.

Final Offer Arbitration:

In Canada, there is a simple process for resolution of disputes between shipper and carrier, and the Board should adopt a similar process. The Canadian process provides for the appointment of an arbitrator to resolve disputes between shippers and railroads. It must be resolved within 60 days and the decision of the arbitrator is final. This is somewhat similar to the baseball style arbitration that the ICC established when it de-prescribed car per diem.

Routing Protection:

In Canadian regulation, it is appropriately the shipper, rather than the carrier which has the right to determine how freight will be routed from origin to destination across multiple carriers. It is critical to effective competition to incorporate this routing power into any merger rules adopted by the Board. Weyerhaeuser's experience with the recent Conrail transaction has clearly pointed out how we have lost rather than increased or improved competition. From our mills across the Southern states, we have lost alternative route options to former Conrail destinations. Now our only options are strictly limited to a handful of destinations in the shared asset areas. Options to route over previous gateways, while still available on paper have all but been eliminated by a predatory pricing policy of the originating carrier. The Board and railroads have often referred to the benefit of 'single-line' service; however many times we see this as a 'single-line' curse.

Shortline & Regional Railroad Issues:

Through the eighties and early nineties, the Class One railroads, with the Board's prescient oversight, created numerous new shortline railroads to preserve rail service to light density areas. The innovation and entrepreneurial spirit of these new entrants must be preserved and enhanced. The shortlines should not live in fear of their Class One connection and should be accorded access to any other Class One within an interswitching zone at their connection with the Class One. While it may be argued that this was not what was envisioned when these shortlines were created, as the Board has pointed out in its decision, these are different times and require a revision to the previous regulatory framework.

Merger-Related Public Interest Benefit:

The most important benefit to the public of rail mergers is the efficient use of our transportation infrastructure. The effective use of railroads to move goods across our country will help reduce congestion, lower energy consumption, lower pollution, and will develop new solutions to the benefit of shippers and ultimately consumers.

Safeguarding Rail Service:

Living through the trauma of rail service disruptions caused by recent mergers has been the bane of all rail shippers. The additional costs to not only move our products to our customers, but the hours trying to determine the status of shipments places a significant toll on both shippers and

railroads. Efficiencies and opportunities are also lost merely because of the unreliability of the nation's rail system. The Board must insist that any future mergers have reasonable and realistic implementation plan to eliminate, as much as possible, the disruptions caused by the merger of two major systems. The economy has managed to survive the last merger service effects, but the economy is more fragile today. It is not impossible that another round of mergers could be the impetus to a national recession. This is clearly not in the public interest.

Cross Border Issues:

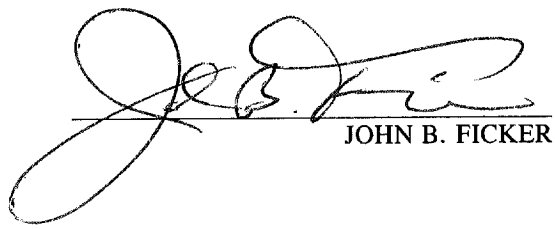
Commerce between the United States and Canada has flown freely for many years providing strength to the economies of both countries. The promulgation of the North American Free Trade Act (NAFTA) has further promoted economic growth between the countries and now includes Mexico as well. The adoption of a similar rail regulatory framework between the United States and Canada will further enhance this growth and provide shippers on both sides of the boarder with a common approach to dealing with railroads. At a later date, the Board may review this opportunity with the Mexican railroads. Further, any analysis of a merger between carriers from both the United States and Canada must include a complete review of the data on both sides of the border. Without viewing this in a holistic manner, the Board would have an incomplete view of the potential impact of any merger and the impact of any downstream effects.

Down Stream Effects:

It is obvious from these comments that we believe that the Board cannot view any future rail merger in isolation. It must view each merger application in the long term to determine its impact on shippers, railroads, rail employees, the national economy and the public at large. We have come to a precipice in the history rail mergers and the next steps that are taken must be taken with caution.

CERTIFICATE OF SERVICE

I hereby certify that on May 16, 2000, I served the foregoing document, Submission of Weyerhaeuser Company on all parties of record by first-class, U.S. mail, postage prepaid.



JOHN B. FICKER